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Patterson: More money for families' college funds

LANSING – State Sen. Bruce Patterson, R-Canton, said a bill currently in committee will provide more money for families' college funds.

So where are the funds coming from? Is Lansing printing more money? Patterson explained that families will see more dollars once Senate Bill 1048 is enacted into law because it will correct an oversight in the Michigan Education Savings Program (MESP).

“Treasury officials told me they had been trying to fix this glitch for the last few years, without success,” said Steve Braun, a Canton financial planner who suggested the revision to the MESP. “So I decided to take matters into my own hands, anticipating that Senator Patterson would give this fair consideration. Now I am hopeful we can see this through to a victory for parents and students.”

“The bill will achieve a goal both the Legislature and the governor agree on—helping more Michigan students graduate from college—by expanding incentives for parents to save for college in the MESP,” said Patterson.

The MESP was set up to spur savings for college expenses. It provides a state tax break, in addition to the federal tax break, for contributions to a child's college account. Families with two or more children headed for college may find their tax-free advantage for college savings ends when their first child enters college. A small change in the program will make a big difference for many families with more than one college-bound student.

“Current law has an unintended flaw: It reduces or eliminates the MESP's tax benefit on annual contributions once the first child in a family enters college,” said Braun. “So parents face a disincentive to save money for younger siblings in the MESP, once one child starts college. Withdrawals from the oldest child's account are subtracted from contributions to younger siblings' accounts.”

Patterson said the proposed change restores the tax incentive for everyone. “It will help middle class and lower income families the most,” he said. “Thus, when the oldest child starts college the parents can still receive the full benefit of the tax break on their contributions to their younger children's accounts.”

Braun said: “This disincentive hits middle class and low income families hardest because they typically cannot save enough in the younger siblings' accounts to overcome the amount withdrawn from the older child's account.

“Wealthier families easily overcome this flaw because they are able to contribute enough money to younger siblings' accounts to offset the withdrawals from the oldest child's account. The current plan favors the rich and discriminates against the poor. It's an issue of fairness,” Braun said.

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